

Subject to approval at the May 3, 2016, Board of Works meeting.

City of West Lafayette, Indiana
Board of Public Works and Safety
MINUTES

April 26, 2016
8:30 a.m.
Morton Community Center
Multi-Purpose Room

Members present were Bradley L. Cohen, Brooke E. Folkers, and Thomas J. Kent. Jonathan C. Speaker was absent. Clerk Sana G. Booker presided.

1. APPROVAL OF MINUTES

a. April 19, 2016 Meeting

Ms. Folkers moved to accept the minutes of the April 19, 2016, Board of Works meeting. Mr. Cohen seconded the motion.

The motion was adopted.

2. NEW BUSINESS

a. Wastewater Utility Proposed 2016 Budget: O.W. Krohn & Associates, LLP – WWTU
WWTU Director Henderson stated that Jim Treat from O.W. Krohn & Associates is here to discuss the 2016 budget for the WWTU.

Mr. Treat stated that he will review some highlights from the budget booklet provided to the Board. He stated that this is not ideal timing for a 2016 budget, since we are already in April. He explained that what happened was that the main parts of the budget were developed last fall while working on the rate increases for the WWTU. The overall plan of what should be provided in the rates adopted by the Council last year in terms of operating expenses, capital expenditures, and the new debt with the CSO bonds were all developed last September and October. He stated that once that occurred, and it went through the adoption process, we went right to the bond-issuance process for the CSO project. This was a \$22 million bond issues that closed in January. After that was the Williams Street bond issue. In conjunction with that, work was done for the last few months to get to the closure process for State Street. He stated that he frankly did not have time to get back to this part of getting the details supporting the budget worked out and put into the system. We are now getting caught up with that. Mr. Treat began his review of the documents with Schedule I. He stated that this is the line-item breakdown by function of the Utility. This provides a comparison of the 2015 to the 2016 budgets. He stated that there is a more sizable increase than what we usually see from 2015 to 2016, from approximately \$5.36 million to approximately \$5.8 million in budget. He noted that the new rates were designed to handle that level of operations. He stated that there were some wage increases with staffing changes such as the new Clerk and Stormwater Inspector, and those changes are incorporated into this budget. He stated that one of the larger changes are for chemicals at the Plant for the new phosphorus removal requirements. Mr. Treat stated that the budget increased by approximately \$447,000, about an 8% increase, for operating. He asked the Board to look at Schedule II. He stated that this Schedule starts bringing things together. It shows the operating revenues for the Utility along with a summary by function of the operating expenses. He stated that when looking at the actual 2014 and 2015 revenues and expenses, it shows that there has been a shrinking operating margin. In 2014 the net operating revenues was approximately \$4.8 million, which is after we pay our

operating expenses from our revenues. In 2015 that went down to \$4.5 million. He stated that that is what we were working with while going into this process of knowing that new rates would be adopted. He stated that the 2016 budget column shows the beginning of the new rates being phased in. The operating revenues go from just over \$10 million in 2015 to approximately \$12 million. This is primarily from implementing the new CSO surcharges. There are further phase-ins in 2017 and 2018, where the revenues grow to a little over \$13 million. He stated that the bottom line of Schedule II is that the net operating revenues are growing by \$1.9 million in 2016, \$2.5 million in 2017, and \$2.6 million in 2018. He stated that that is the goal with these new rates and with the operating budgets that we have designed to hit. He stated that the next page is another key input going into what the cash flows will be for the WWTU, and that is the capital budget. Mr. Treat explained that this is a five-year layout of proposed capital expenditures, with 2016 as the big year due to the CSO project. It is a \$22 million project which has been bond-funded. Beyond that, Mr. Treat stated that we are looking at a regional lift station project to support a new area, which is the Auburn Meadows Neighborhood that is ready to be constructed. He stated that we would like to have that in the City service area and get that annexed and serve it. It was in the prior budget, and it is still in this budget. He stated that looking forward, there is ongoing major maintenance to the collection system. There are no other big projects expected until possibly 2020; we are looking at a headworks project starting at the Treatment Plant. Looking at the stormwater category, there is ongoing drainage projects that Public Works Director Buck and Director Henderson have identified, along with equipment. He stated that the bottom line in this section is that these are expected capital expenditures. It shows a net of bonds that are going to fund those expenditures. He stated that there is an average over this five-year period of a little under \$5 million in total capital expenditures. We need to have enough in rates to spend approximately \$1 million and still keep the cash flow where it needs to be. The final page shows what those cash flows would be. He stated that this brings in the net operating revenues, and it adds in some non-operating items. It shows total pledged revenues, and it ranges from \$6.5 million to about \$7.3 million, once full rates are implemented. Those are the funds the Utility has to make debt payments, do capital expenditures that are not bond-funded, and also a payment in lieu of taxes (PILOT) to the City. The PILOT helps to support the City budget. That payment had not increased for a number of years, and with the rate increase the payment will increase from \$528,000 to \$675,000. This increase will probably happen next year as opposed to this year because we are still waiting for the impact cash flows of the new rates that just stated in January. He stated that the gradual build-up can be seen on the debt line. The full CSO bond debt starts in 2017. He stated that this is everything that was designed with the new rates, and that is what we need to be able to support. The ending cash balances show that if we can stick to these goals, we have a gradual increase in the cash balances. We will gradually build up the Improvement Fund, which we have spent down quite a bit due to the project activities. Mr. Treat stated that the keys to this budget are that we need to make sure to monitor that we hit these revenue projections that we assume from the rates, and that will be followed on an ongoing basis. He stated that Director Henderson needs to do the great job that he does in keeping down expense increases for operating the Plant, and he noted that there is not a lot of increase there. He stated that on capital projects, if we can keep that pay-go under \$1 million per year in capital projects, then we should be able to have this.

Mr. Kent moved that the 2016 WWTU Budget be approved. Ms. Folkers seconded the motion.

Mr. Cohen asked if it is correct that the projected revenues are paid by the citizens. He asked if that had already been approved.

Mr. Treat responded yes, and explained that those were adopted by the Council in November and December with a process that included public hearings and adoption. He stated that the rates are in place and the first phases are being built in 2016.

Mr. Kent asked if when there are situations mandated by the Federal or State government if they are contributing any monies for our compliance.

Director Henderson responded that he is sorry to report that the days of Federal grants are long over, and we are basically left to our own devices to meet new regulations.

Mayor John Dennis stated that what we have been doing over the last couple of years has been predicated on our vision to grow. We are a much bigger city that we were a few years ago, with expansion to both the north and west. He stated that a lot of what we used to do was to bank a lot of this revenue to save for a rainy day. He stated that it is raining, and it is raining on purpose. This is a part of our capital plan to support our growth and to make sure we hook-up the northern and western areas to the City's system.

Mr. Cohen asked what the percentage rate is that is being passed on to those who do not live in the growing systems. He noted that the revenues are up 30% in the projections for next year, and he asked what the percentage rate is for those who have already been paying the Utility.

Mr. Treat responded that it depends on usage in this case, so it is not a flat across-the-board increase. Since most of the rate was adopted in this CSO surcharge, because it is attached to the fixed debt payment that we need to make. He stated that basically every household is going to pay \$9.82 after it fully phased-in, and there are some inflation increases of 3% on the flow rates. He explained that a smaller household with lower flows will have a larger percentage increase.

Mr. Cohen stated that he knows that he knows that the City needs to make money to continue to build up the Improvement Fund, but one of the surprising numbers for him is the 66% over coverage, and even when it starts to tone down we are upwards of almost 50% over budgeted needs. He noted that in 2018 there is 47% on top of projected needs. He stated that it seems like a big percentage number, and he asked if he is reading it correctly.

Mr. Treat responded that those are the bond coverage numbers.

Mr. Cohen stated that we do not have a lot of expenditures going forward, because this is the biggest one. So, covering the bond is \$22 million, but the rest of what is being projected is capital needs to be is not very high. He asked if we are stocking away 47% into this rainy day fund, and if that is what is needed to go forward.

Mr. Treat responded asked Mr. Cohen to look at the numbers on the cash balances. He stated that when he started working with the City we routinely had approximately \$11 million in the Improvement Fund. It was used for a lot of pay-go projects and temporary loans for the City. As of the end of 2015, that Improvement Fund was down to \$1.8 million. So, it is going to take us a while to develop that. He stated that even if everything works out golden on these projections there are going to be some variances on the revenue side, the expense side, or the capital project side. He stated that we are hoping that the best case is that in five years we might have that Improvement Fund up to \$3.7 million. This is more in the range of what we feel is a good guideline for the City. He stated that the

percentages look big, but looking at the dollars shows how easy it is to spend money that took years to build up, and how hard it is to restore that and the discipline it takes to do that. He stated that the problem is that we get capital needs that come up suddenly where there is no choice, and we use the cash on hand when we do not necessarily want to issue more debt. He stated that from his experience that is why he recommends these levels.

Ms. Folkers asked, regarding the numbers put in for capital projects, what is the plus or minus on that type of thing. She stated that we predict a contract at a certain amount, but then there are change orders. She asked what is built in for that.

Mr. Treat responded that it varies. He stated that the projects that are slated for the next two years are pretty firm budget numbers, based on actual bids and engineering estimates. When going out two or three years it can be a big swing. He explained that we use these numbers as a guide, but when the time gets closer he tries to figure out a way to get back to those numbers. He stated if one project picks up in priority, and also dollar amount, then we look at if there is something that can be moved and shuffle priorities. He stated that the closer projects have a 10% contingency built in even though there are bids.

The motion was adopted.

b. 2014 SRF Loan Disbursement Request No. 48: Sheraton and Fairway Knolls Lift Station Improvements – Greeley and Hansen – WWTU

WWTU Director Henderson requested approval of the 2014 SRF Loan Disbursement Request No. 48 to Greeley and Hansen in the amount of \$4,927.00. Director Henderson stated that this disbursement is for the work involved to help complete the Northside Regional Lift Station, such as confirming generator sizing and working with the inspector.

Mr. Cohen moved that the 2014 SRF Loan Disbursement Request No. 48 be approved. Mr. Kent seconded the motion.

The motion was adopted.

c. Street Closing: Pierce Street – Police

Sergeant Philhower requested approval for the street closing of Pierce Street from State Street to Wood Street for Purdue Homecoming Boilermaker Night Train Parade. The parade is scheduled to take place on October 14, 2016, at 7:30 p.m.; therefore, we would like to close this street from 2:00 p.m. to 9:00 p.m.

Mr. Kent moved that the street closing of Pierce Street be approved. Ms. Folkers seconded the motion.

The motion was adopted.

d. Agreement: Sagamore West Lighting – Midwestern Electric, Inc. – Engineering

Engineering Assistant Garrison explained this project is for new lighting being installed along Sagamore Parkway. Mr. Garrison explained that the bids were opened last week with the RDC. In order to move ahead with the project the RDC agreed to allow the Board to approve this agreement, and it will be ratified by the RDC at the next meeting. The amount of the agreement is \$212,282.00.

Ms. Folkers moved that the agreement with Midwestern Electric, Inc. be approved. Mr. Cohen seconded the motion.

The motion was adopted.

e. Task Order No. 5: Stormwater Flow Monitoring – Wessler Engineering, Inc. – Engineering

Assistant City Engineer Susong requested approval for Task Order No. 5 for the Stormwater Flow Monitoring with Wessler Engineering, Inc. Mr. Susong explained this task order is to monitor the flow at five different locations. This is to calibrate the system model that is being developed versus the actual flows at those points to verify that the calculations match.

Ms. Folkers moved that Task Order No. 5 with Wessler Engineering, Inc. be approved. Mr. Kent seconded the motion.

The motion was adopted.

f. Quote Acceptance: 2016 Traffic Paint – Allstates Coating Company and Swarco Industries, LLC – Street

Street Commissioner Payne stated that the lowest quote for traffic paint was from Allstates Coating Company for a total amount of \$22,166.80 for 2,600 gallons of paint. The lowest quote for glass beads was from Swarco Industries, Inc. for a total of \$2,450.00 for 7,000 pounds of glass beads. Mr. Payne requested approval to accept these quotes.

Ms. Folkers moved that the quotes from Allstates Coating Company and Swarco Industries, LLC be approved. Mr. Kent seconded the motion.

g. Claims

- i. AP Docket \$140,925.88

Mr. Cohen moved that the claims be approved. Mr. Kent seconded the motion.

There were no questions or comments about the claims.

The motion was adopted.

h. Informational Items

- i. Project Payment List – WWTU

There were no questions or comments about the listing.

- ii. Legal Budget & Expenses – Controller

There were no questions or comments about the listing.

- iii. Park Board Dockets

There were no questions or comments about the listing.

i. Other Items

► WWTU Director Henderson thanked Jim Treat for being present for this meeting to go over the budget. Director Henderson also noted that the permit limits became final for March. The City has now achieved phosphorus removal at 0.8 mg per liter.

► Engineering Assistant Garrison stated the CSO Relief Interceptor Project is back up and running now. Things seem to be moving along well, and they are ahead of their daily

projection rate. The project anticipated to slow down some when they start going underneath the guy wires that are still up for the signal due to the excavator being taller than the wires they need to work underneath. Happy Hollow Road is going along well. They will continue to move quickly to complete as much of the project as possible this year. There will be work this week on State Street near Russell Street, while Indiana American Water Company works on installing the final patch on the line installed earlier this year. Traffic will have to be maintained and shifted during this time. He stated that he does not have an update on the State project for Sagamore Parkway, but there may be some upcoming road closures.

Mr. Cohen asked what the original contract completion date was, to which Mr. Garrison responded the end of June.

► Director of Development Poole expressed his appreciation to everyone. He stated that is has been a great eight years working for the City.

3. ADJOURNMENT

There being no further business to come before the Board, Mr. Cohen moved that the meeting be adjourned, and Clerk Booker adjourned the meeting.